

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 L-03 H-03

PA-04 PRS-01 USIA-15 TAR-02 SS-20 NSC-10 DRC-01 /186 W

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R 051731Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5969

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

UNCLAS EC BRUSSELS 6270

PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, EEC

SUBJECT: REFORM OF THE CAP

REF: EC BRUSSELS 5644

1. SUMMARY. THE EC COMMISSION APPROVED ON OCTOBER 31 A
MEMORANDUM ON ADJUSTMENT ("AMENAGEMENT") OF THE CAP. THE
MEMORANDUM WHICH HAS BEEN PUBLISHED TODAY (NOVEMBER 5) IS BEING
SUBMITTED TO THE EC COUNCIL OF MINISTERS FOR CONSIDERATION.
THE MEMORANDUM CONTAINS IDEAS AND SUGGESTIONS FOR CHANGES IN
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VARIOUS SPECIFIC ASPECTS OF THE CAP. FORMAL PROPOSALS FOR

IMPLEMENTING THESE IDEAS ARE TO BE SUBMITTED TO THE COUNCIL ONLY AT THE TIME THE COMMISSION MAKES ITS PROPOSALS FOR 1974/75 CAP PRICES. THE MAJOR OBJECTIVES SET FORTH IN THE COMMISSION'S MEMORANDUM ARE REDUCTIONS IN FEOGA EXPENDITURES BY ABOUT ONE BILLION UNITS OF ACCOUNT AND MEASURES, PARTICULARLY IN THE GRAINS AND DAIRY SECTORS, TO COPE WITH STRUCTURAL SURPLUSES. THE COMMISSION SUGGESTS IN PARTICULAR: (A) TAXATION OF DAIRY PRODUCERS AND DAIRY PLANTS IN CASES WHERE STOCKS OF DAIRY PRODUCTS EXCEED A CERTAIN LEVEL; (B) A CHANGE IN THE PRICE RELATIONSHIPS OF VARIOUS GRAINS INCLUDING A FREEZE OF THE SOFT WHEAT PRICE, AN INCREASE IN FEED GRAIN PRICES AND ABOLITION OF WHEAT DENATURING PREMIUMS. THE COMMISSION FAVORS ABOLISHING THE SYSTEM OR REGIONAL INTERVENTION PRICES FOR WHEAT AND BARLEY. LASTLY, THE COMMISSION FAVORS A CAP FOR SOYBEANS (ALONG THE LINES OF THE CAP FOR RAPESEED AND SUNFLOWER SEED) WITHOUT, HOWEVER, CHANGING THE PRESENT SOYBEAN IMPORT SYSTEM. END SUMMARY.

2. IN ITS MEMORANDUM TO THE COUNCIL, THE COMMISSION INDICATES THAT ADAPTATIONS ("AMENAGEMENTS") TO THE CAP SHOULD BE COMPLETED BY 1978, WHEN THE THREE NEW MEMBERS STATES WILL HAVE FULLY ADJUSTED TO THE CAP. THE MEMORANDUM DOES NOT ENVISION BASING FARM SUPPORT ON DIRECT INCOME PAYMENTS EXCEPT IN CERTAIN LIMITED CASES, I.E., FARM INCOMES WOULD STILL BE ASSURED PRIMARILY BY THE COMMON PRICE SYSTEM. HOWEVER, THE COMMISSION ANTICIPATES THAT FEOGA EXPENDITURES COULD BE REDUCED BY ONE BILLION UNITS OF ACCOUNT IF THE PROGRAM WERE FULLY IMPLEMENTED.

3. GRAINS. THE SUPPORT PRICE FOR SOFT WHEAT IS TO BE FROZEN AND THE SUPPORT PRICES (INCLUDING MINIMUM IMPORT PRICES) OF BARLEY AND CORN WOULD BE RAISED COMMENSURATE WITH THE FEEDING VALUE OF THESE PRODUCTS RELATIVE TO WHEAT. THE WHEAT DENATURING PREMIUM WOULD BE ABOLISHED. ALSO THE SYSTEM OF REGIONAL INTERVENTION PRICES FOR SOFT WHEAT AND BARLEY WOULD BE SUPPRESSED. THERE ARE TO BE SINGLE INTERVENTION PRICES FOR SOFT WHEAT AND BARLEY AS THERE ARE AT PRESENT FOR DURUM, CORN AND RYE. APART FROM CERTAIN IMPROVEMENTS IN THE MANAGEMENT OF THE CAP FOR GRAINS, A POLICY OF STOCK-PILING -- PRIMARILY FOR WHEAT -- WOULD BE INSTITUTED. IMPLEMENTATION OF THESE MEASURES UNCLASSIFIED

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IS EXPECTED TO SAME SOME 580 MILLION UNITS OF ACCOUNT IN FEOGA EXPENDITURES ONCE THE ADJUSTMENT OF THE CAP IS COMPLETED.

4. PROTEINS. A CAP SUPPORT SYSTEM FOR SOYBEANS IS TO BE ESTABLISHED ALONG THE LINES OF THE CAP FOR RAPESEED AND SUNFLOWER SEED. THE MEMORANDUM STATES, HOWEVER, THAT THIS SYSTEM SHOULD BE ADAPTED "SO THAT THE IMPORT SYSTEM FOR SOYA REMAINS UNCHANGED." THE PRICE OF SUNFLOWER SEED OS TO BE RAISED

RELATIVE TO THAT OF RAPESEED. SUBSIDIES FOR THE DEHYDRATION OF ALFALFA ARE TO BE GIVEN. SUBSIDIES ARE ALSO TO BE GIVEN FOR SEED OF PROTEIN-RICH LEGUMES. THE SYSTEM OF REGIONAL INTERVENTION PRICES FOR RAPESEED AND SUNFLOWER SEED IS TO BE REVISED.

5. DAIRY PRODUCTS. A TEMPORARY CHARGE ON DAIRY PRODUCERS EQUAL TO A MAXIMUM OF 2 PERCENT OF THE MILK TARGET PRICE WOULD BE MADE IN CASE DAIRY SURPLUSES EXCEED A CERTAIN LEVEL. (THIS CHARGE WOULD REPRESENT A DE FACTO DECREASE IN THE TARGET PRICE FOR MILK SINCE IT WOULD NOT BE REFLECTED IN CONSUMER PRICES.) MILK DELIVERIES OF UP TO 10,000 LITERS WOULD BE EXEMPT FROM THE CHARGE; HOWEVER DAIRY PLANTS SELLING A STILL BE DETERMINED AMOUNT OF DAIRY PRODUCTS TO INTERVENTION AGENCIES WOULD ALSO HAVE TO PAY THE CHARGE. THE RELATIONSHIP BETWEEN THE PRICES OF BUTTER FAT AND MILK SOLIDS WOULD BE ADJUSTED TO BRING ABOUT A REDUCTION IN THE BUTTER INTERVENTION PRICE FROM THE PRESENT 176UA/100 KG. TO 153.35 UA AND AN INCREASE IN THE INTERVENTION PRICE OF SKIM MILK POWDER FROM THE PRESENT 66 UA/100 KG. TO 76.80 UA. THE COMMISSION ESTIMATES THAT THE FOREGOING STEPS, AND CERTAIN ANCILLARY MEASURES, WOULD REDUCE FEOGA EXPENDITURES FOR DAIRY PRODUCTS BY SOME 470 MILLION UA BY 1978.

6. BEEF AND VEAL. THE ORIENTATION PRICE FOR VEAL WOULD BE ABOLISHED AND THE IMPORT SYSTEM FOR CATTLE AND CALVES INCLUDING BEEF AND VEAL WOULD BE SIMPLIFIED. MOREOVER, INCENTIVE MEASURES WOULD BE TAKEN TO ENCOURAGE BEEF PRODUCTION.

7. SHEEP. A CAP FOR MUTTON AND LAMB IS TO BE ESTIMATED. THIS WOULD INTER ALIA ENTAIL ABOLITION OF QRS WHICH STILL EXIST IN SOME MEMBER STATES AND HARMONIZATION OF THE PRICES NOW EXISTING IN THE COMMUNITY OF THE SIX, ON THE ONE HAND, AND THE THREE NEW MEMBER STATES, ON THE OTHER.

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8. OLIVE OIL. THE SYSTEM OF CALCULATING DEFICIENCY PAYMENTS FOR ITALIAN OLIVE GROWERS IS TO BE SIMPLIFIED. (THIS PROBABLY WOULD ENTAIL A REDUCTION IN DEFICIENCY PAYMENTS FOR OLIVE OIL AND MORE THOROUGH CONTROL OF OLIVE OIL PRODUCTION IN ITALY.)

9. POTATOES. THERE WOULD BE A CAP FOR POTATOES PROBABLY INVOLVING DEFICIENCY PAYMENTS.

10. THE FULL TEXT OF THE COMMISSION'S MEMORANDUM CONCERNING THE REFORM OF THE CAP WILL BE FORWARDED TO THE DEPARTMENT.HARTMAN

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